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EXTRAORDINARY

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PART II — Section 2

प्राधिकार से प्रकाशित

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।  
Separate paging is given to this Part in order that it may be filed as a separate compilation.

## LOK SABHA

The following Bills were introduced in the Lok Sabha on 27.7.1998.

BILL No. 86 OF 1998

A Bill further to amend the Oilfields (Regulation and Development) Act, 1948.

BE it enacted by Parliament in the Forty-ninth Year of the Republic of India as follows:—

1. (1) This Act may be called the Oilfields (Regulation and Development) Amendment Act, 1998.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Short title and  
commence-  
ment.

Amendment of  
section 6A.

2. In section 6A of the Oilfields (Regulation and Development) Act, 1948 (hereinafter referred to as the principal Act), for sub-sections (4) and (5), the following sub-sections shall be substituted, namely:—

53 of 1948

"(4) The Central Government may, by notification in the Official Gazette, amend the Schedule so as to enhance or reduce the rate at which royalty shall be payable in respect of any mineral oil with effect from such date as may be specified in the notification and different rates may be notified in respect of same mineral oil mined, quarried, excavated or collected from the areas covered by different classes of mining leases:

Provided that the Central Government shall not fix the rates of royalty in respect of any mineral oil so as to exceed twenty per cent. of the sale price of the mineral oil at the oilfields or the oil well-head, as the case may be.

(5) If the Central Government, with a view to encourage exploration in off-shore areas, is satisfied that it is necessary in the public interest so to do, it may, by notification in the Official Gazette, exempt generally, either absolutely or subject to such conditions as may be specified in the notification, mineral oil produced from such areas from the whole or any part of the royalty leviable thereon."

Amendment of  
section 10.

3. In section 10 of the principal Act, for the words, brackets, figures and letter "under sub-section (4) of section 6A", the words, brackets, figures and letter "under sub-section (4) or sub-section (5) of section 6A" shall be substituted.

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## STATEMENT OF OBJECTS AND REASONS

Sub-section (4) of section 6A of the Oilfields (Regulation and Development) Act, 1948 empowers the Central Government to amend the Schedule to the said Act, by notification, so as to enhance or reduce the rate at which royalty shall be payable in respect of any mineral oil, subject to the condition that the rate of royalty in respect of any mineral oil shall not be fixed so as to exceed twenty per cent. of the sale price of the mineral oil and that the rate of royalty in respect of any mineral oil shall not be enhanced more than once during any period of three years.

2. With a view to encourage exploration of oil and natural gas in the country, the Government has approved the New Exploration Licensing Policy (NELP) providing, *inter alia*, for the following:—

(i) royalty rates for crude oil shall be at the rate of 12.5% for the onland areas and 10% for offshore areas, calculated with reference to international prices;

(ii) royalty may be reduced or exempted with a view to encourage exploration in deep water areas and frontier areas. To begin with, royalty will be charged at half the prevailing rate for offshore areas beyond 400 metres bathymetry for the first seven years after the commencement of commercial production.

3. Thus, for the acreages to be offered under the NELP, royalty would be payable at different rates depending on the location of the area, water depth, etc. The present scheme of the Oilfields (Regulation and Development) Act, 1948, however, does not permit laying down of more than one rate of royalty in respect of any mineral oil, as required to operationalise the NELP. It has, therefore, become necessary to amend the Oilfields (Regulation and Development) Act, 1948 for incorporating suitable provisions in section 6A of the said Act for conferring upon the Central Government the powers to notify the rates of royalty approved under the NELP.

4. The Government has also decide to dismantle the Administered Pricing Mechanism (APM) in respect of indigenous crude oil and petroleum products in a phased manner commencing from the 1st April, 1998. With this, the price of indigenous crude oil which was earlier fixed on a cost *plus* formula once in three years has been linked to the international F.O.B. price of crudes imported into the country. Under the new pricing scheme, the price of indigenous crude oil would now vary on monthly basis. This has necessitated some changes in the Act to make it possible to vary the rate of royalty on crude oil at intervals shorter than three years as presently provided for in the Act.

5. To meet the above requirements, it is proposed to amend section 6A of the Act so as to—

(i) confer upon the Central Government the powers to notify more than one rate of royalty in respect of the same mineral oil produced from different classes of leased areas;

(ii) empower the Central Government to grant partial or full exemption from the payment of royalty in respect of offshore areas; and

(iii) make consequential amendments in section 10 of the Act for laying the notifications before Parliament.

6. The Bill seeks to achieve the above objects.

NEW DELHI;  
The 21st July, 1998,

K. RAMAMURTHY.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 AND 274 OF THE  
CONSTITUTION OF INDIA

[Copy of letter No.0-22013/1/97-ONG.III, dated the 22nd July, 1998 from Shri K. Ramamurthy, Minister of Petroleum and Natural Gas to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the Oilfields (Regulation & Development) Amendment Bill, 1998, recommends the introduction of the Bill in Lok Sabha under articles 117(1) and 274 of the Constitution.

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## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2 of the Bill, *inter alia*, confers power on the Central Government to amend, by notification in the Official Gazette, the Schedule to the Oilfields (Regulation and Development) Act, 1948 so as to enhance or reduce, the rate of royalty payable in respect of any mineral oil with effect from such date as may be mentioned in that notification subject to the condition that the rate of royalty so notified in respect of any mineral oil shall not exceed 20 per cent. of the sale price of the mineral oil at the oilfields or the oil well-head. Further, different rates of royalty may be notified in respect of same mineral oil mined, quarried, excavated or collected from the areas covered by different mining leases.

2. Clause 2 of the Bill also seeks to empower the Central Government, to exempt any mineral oil in certain circumstances by notification in the Official Gazette, either absolutely or subject to such condition, as may be specified in that notification produced from offshore areas from the whole or any part of the royalty leviable thereon.

3. It is difficult to provide for the above matters in the Bill itself. It is proposed to lay the aforesaid notifications before Parliament.

4. The delegation of legislative power is, therefore, of a normal character.

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## II

BILL No. 87 OF 1998

**A Bill to amend the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993.**

BE it enacted by Parliament in the Forty-ninth Year of the Republic of India as follows:—

Short title.

1. This Act may be called the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings (Amendment) Act, 1998.

Amendment of  
section 2

2. In the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993 (hereinafter referred to as the principal Act), in section 2, in clause (f), for the words “or Union territory”, the following shall be substituted, namely:—

32 of 1993.

“or Union territory and includes,—

(i) the National Small Industries Corporation, being a company, registered under the Companies Act, 1956;

1 of 1956.

1 of 1956.

(ii) the Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956.”

3. In section 3 of the principal Act, the following proviso shall be inserted, namely:—

Amendment of section 3.

“Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed one hundred and twenty days from the day of acceptance or the day of deemed acceptance.”

4. For section 4 of the principal Act, the following section shall be substituted, namely:—

Substitution of new section for section 4.

‘4. Where any buyer fails to make payment of the amount to the supplier, as required under section 3, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay interest to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at one and half time of Prime Lending Rate charged by the State Bank of India.

Date from which and rate at which interest is payable.

*Explanation.*—For the purposes of this section, “Prime Lending Rate” means the Prime Leading Rate of the State Bank of India which is available to the best borrowers of the bank.’.

5. Section 6 of the principal Act shall be renumbered as sub-section (1) thereof and after sub-section (1) as so renumbered, the following sub-section shall be inserted, namely:—

Amendment of section 6.

“(2) Notwithstanding anything contained in sub-section (1), any party to a dispute may make a reference to the Industry Facilitation Council for acting as an arbitrator or conciliator in respect of matters referred to in that sub-section and the provisions of the Arbitration and Conciliation Act, 1996 shall apply to such dispute as if the arbitration or conciliation were pursuant to an arbitration agreement referred to in such section (1) of section 7 of that Act.”.

26 of 1996.

6. After section 7 of the principal Act, the following sections shall be inserted, namely:—

Insertion of new sections 7A, 7B and 7C.

“7A. The State Government may, by notification in the Official Gazette, establish one or more Industry Facilitation Councils at such places exercising such jurisdiction and for such areas, as may be specified in the notification.

Establishment of Industry Facilitation Council.

7B. (1) The Industry Facilitation Council shall consist of one or more members to be appointed from amongst the following categories:—

Composition of Industry Facilitation Council.

(i) Director of Industries by what ever name called or any other officer not below the rank of such Director, of the State Government;

(ii) representatives of banks and financial institutions;

(iii) office bearers or representatives of State Industry Associations; and

(iv) persons having special knowledge in the field of Industry, Finance, Law, Trade and Commerce.

(2) The person appointed under clause (i) of sub-section (1) shall be the Chairperson of the Industry Facilitation Council.

(3) The composition of the Industry Facilitation Council, the manner of filling vacancies among, and the procedure to be followed in the discharge of their functions by, the members shall be such as may be prescribed by rules by the State Government.

7C. Every notification issued and every rule made by the State Government under this Act shall be laid, as soon as may be after it is issued or made, before the State Legislature.”.

Laying of rules before State Legislature.

## STATEMENT OF OBJECTS AND REASONS

The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993 regulates the procedure for payment of interest on delayed payments to small scale and ancillary undertakings. Though the Act has been in operation for a period of five years, the problem of delays in payment of outstanding dues to the small scale industrial units continues unabated. There have been widespread discussions on the provisions of the Act among the various interest groups including the Departments of State Governments dealing with industries, banks and Small Industry Associations. The general consensus emerged from such discussions is that certain amendments to the Act are necessary in order to make it more effective so that the aims and objectives of the Act are achieved.

2. The existing Act is not applicable to the Central or State public sector undertakings, such as, the National Small Industries Corporation (NSIC) and the State Small Industries Development Corporations (SSIDC). Since both the aforesaid Corporations have been playing important role in marketing of SSI products, it is proposed to amend the definition of "supplier" so as to bring within the scope; the aforesaid Corporations.

3. Section 3 of the Act stipulates that a buyer is required to make payment on or before the agreed date to small scale supplier of goods or services. Where the credit period is not specified in the agreement, the payment is to be made within 30 days from the date of the acceptance of goods or services. It has been noticed that buyers tend to prescribe a credit period of 240—360 days. This defeats the purpose of the Act. It is, therefore, proposed to amend section 3 of the Act by specifying a period of 120 days as the maximum period of credit.

4. Section 4 of the Act states that buyers shall be liable to pay interest to the suppliers on outstanding dues beyond the appointed day at a rate which is five per cent. points above the floor rate. The Reserve Bank of India, in its new credit policy, has changed the system of prescribing floor rates for the purpose of lending by banks for the loans exceeding Rs. 2 lakhs. The banks are now free to fix the prime lending rate for loans. This change in interest rate policy has necessitated a change in determining the penal rate of interest in the Act. It is proposed to fix the penal rate of interest at one and a half times of the prime lending rate of the State Bank of India.

5. Under section 6 of the Act, the outstanding amount together with the interest is recoverable (in case of dispute) by way of a civil suit. It is proposed to provide an alternative mechanism of arbitration and conciliation apart from section 6 to resolve the disputes under the Act. For this purpose, State Governments are proposed to be authorised to set up one or more "Industry Facilitation Councils" for the purpose of arbitration and conciliation. These Councils shall act as arbitrators or conciliators for settling disputes between SSI suppliers and buyers. This aims of facilitating resolution of disputes between the two parties amicably.

6. The Bill seeks to achieve the above objects.

NEW DELHI;

SIKANDER BAKHT.

The 13th July, 1998.

S. GOPALAN,  
*Secretary-General.*